

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate
and Refine Procurement Policies and
Consider Long-Term Procurement Plans.

Rulemaking 12-03-014
(Filed March 22, 2012)

**THE OFFICE OF RATEPAYER ADVOCATES' REPLY COMMENTS IN
RESPONSE TO ADMINISTRATIVE LAW JUDGE QUESTION 3
FROM SEPTEMBER 4, 2013 PRE-HEARING CONFERENCE**

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I. INTRODUCTION

Administrative Law Judge (ALJ) Gamson posed seven questions at the September 4, 2013 pre-hearing conference in this proceeding. The Office of Ratepayer Advocates (ORA)¹ responded to most of those questions in its September 30, 2013 Reply Testimonies,² but did not file comments in response to the questions. ORA submits the following reply to ALJ Gamson's third question regarding updates to assumptions that should be considered in determining procurement authority in Track 4.

Are there any other updates to assumptions that should be considered, i.e. in addition to the results of the California Independent System Operator Corporation's (CAISO) Transmission Planning Process (TPP)?³

ORA respectfully recommends that in determining whether to authorize Southern California Edison Company (SCE) and/or San Diego Gas & Electric Company (SDG&E) to procure additional resources to maintain reliability given the permanent retirement of the San Onofre Nuclear Generating Station (SONGS), that the Commission consider updated information regarding transmission upgrades and reactive power solutions and the revised California Energy Commission (CEC) Integrated Energy Policy Resource 2013 (IEPR) load forecast. Ideally the Commission would use the CAISO's 2013/2014 Transmission Planning Process (TPP) results, which will be available in January 2014. At a minimum, the Commission should require SCE and SDG&E to submit supplemental joint power flow studies that show the effect of all identified LCR need reduction solutions on the entire SONGS study area.⁴

¹ The Division of Ratepayer Advocates was renamed the Office of Ratepayer Advocates effective September 26, 2013, pursuant to Senate Bill No. 96 (Budget Act of 2013: public resources), which the Governor approved on September 26, 2013.

² See Reply Testimony of Nika Rogers, pp. 3-7; Reply Testimony of Radu Ciupagea, p. 8.

³ Reporter's Transcript (RT) PHC 4, at 318.

⁴ The SONGS study area is the Los Angeles (LA) Basin local area and the San Diego sub area, which comprises SDG&E's entire service territory.

II. DISCUSSION

A. **The Commission should consider the 2013/2014 Transmission Planning Process (TPP) results and revised California Energy Commission demand forecasts in determining whether to authorize SCE and SDG&E to procure additional local capacity requirements (LCR) resources in Track 4.**

Pacific Gas and Electric Company (PG&E) does not recommend any updates to the Track 4 studies, contending that:

“The Commission has adequate information in the record to make a need determination and procurement authorization for southern California to meet its local reliability needs in 2018 and 2022.”⁵

SDG&E notes that “[i]t is not possible to perfectly predict demand and resource availability, and insistence on defining precise assumptions jeopardizes the efficiency of the process, particularly given that such assumptions will continue to change.”⁶ The Independent Energy Producers Association (IEP) states that it would “not propose any changes to assumptions that would require additional analysis and potentially delay a Track 4 procurement decision.”⁷

ORA disagrees that the current record contains the information necessary to determine need for southern California; specifically, the record lacks information on transmission solutions and reactive power resources that could significantly impact the number of megawatts needed to maintain reliability in southern California,⁸ a fact acknowledged by the CAISO.⁹ Nor would it “jeopardize[] the efficiency of the process” to use accurate assumptions that directly

⁵ Responses of Pacific Gas and Electric Company to the Seven Questions Asked by the Administrative Law Judge at the September 4, 2013, Prehearing Conference, September 30, 2013, p. 2.

⁶ Comments of San Diego Gas & Electric Company on ALJ Questions from Pre-Hearing Conference Held September 4, 2013, September 30, 2013, p. 3.

⁷ Comments of the Independent Energy Producers Association Responding to Questions Asked by ALJ Gamson at the September 4, 2013 Prehearing Conference, September 30, 2013 (IEP Comments), p. 3.

⁸ See Joint Motion of the Division of Ratepayer Advocates, California Environmental Justice Alliance, and Sierra Club California to Amend the Revised Scoping Memo to Reflect the Closure of the San Onofre Nuclear Power Station Generating Facilities, June 28, 2013 (recommending that the CAISO’s Track 4 modeling include reactive power resources considered in the 2012-2013 Transmission Plan in order to identify the best solutions to replace SONGS and prevent over procurement that undermines California’s greenhouse gas (GHG) reduction goals.)

⁹ The CAISO observed that interim procurement authority “should be contingent upon the ISO’s transmission study results, *given the very distinct possibility that transmission alternatives could change the need for local resources in the study area.*” Comments of the California Independent System Operator Corporation on Proposed Track 2 and Track 4 Procedural Schedules, September 10, 2013, p. 4 (emphasis added).

impact whether and how much capacity is needed to maintain reliability in southern California. In contrast, it would be unproductive to first consider “interim” procurement authorization at hearings likely to begin October 28, 2013¹⁰ and then consider “final” procurement authority a few months later when the CAISO TPP 2013/2014 results are available in January 2014. The ineffectiveness of this two-step plan would be exacerbated if the Commission adopts the approach supported by IEP, NRG Energy, Inc., and SCE,¹¹ and apparently reflected in the September 16, 2013 Assigned Commissioner and Administrative Law Judge’s Ruling regarding Track 2 and Track 4 Schedule, in which interim procurement authority could increase but not decrease.¹² The apparent intent to authorize interim procurement in an amount that can only increase, even if new more accurate information shows that the interim procurement authorization was excessive, underscores the importance from the perspective of ratepayers of not authorizing excess capacity.

ORA therefore supports the recommendation of the California Large Energy Consumers Association (CLECA),¹³ Sierra Club California,¹⁴ the Natural Resources Defense Council,¹⁵ and the CAISO¹⁶ to use updated demand forecasts. CLECA recommends using the 2013 IEPR

¹⁰ October 1, 2013 email from ALJ Gamson to service list.

¹¹ Comments of NRG Energy, Inc. in response to Scheduling Issues Raised at the September 4, 2013 Prehearing Conference, September 10, 2013), p. 2; Comments of the Independent Energy Producers Association on the Schedule for Track 4, September 10, 2013, p. 2 (“the interim decision procurement should not be subject to later revocation.”); Opening Comments of Southern California Edison Company on Schedule, September 10, 2013, p. 4.

¹² Assigned Commissioner and Administrative Law Judge’s Ruling regarding Track 2 and Track 4 Schedule, September 16, 2013, pp. 3-4 (“If new procurement is authorized, we expect the Proposed Decision to include language that any authorization will not be subject to further review based on additional evidence in this proceeding (such as the new TPP).”)

¹³ Comments of the California Large Energy Consumers Association, September 30, 2013 (CLECA Comments), p. 3.

¹⁴ Opening Comments of Sierra Club California on ALJ Gamson’s Questions from the September 4, 2013 Prehearing Conference, September 30, 2013 (Sierra Club Comments), p. 7.

¹⁵ Comments of The Natural Resources Defense Council (NRDC) On ALJ Gamson’s Policy-Related Questions Presented at The September 4, 2013 Prehearing Conference, September 30, 2013 (“The updated CEC Demand Forecast will provide more accurate information on resource needs and, importantly, on energy efficiency savings.”)

¹⁶ Track 4 Testimony of Robert Sparks on behalf of the California Independent System Operator Corporation, August 5, 2013, at 30. (“The ISO also wants to consider incorporating the 2013 IEPR demand forecast which is anticipated to be completed and adopted by the CEC Commission by the end of this year.”).

load forecast, explaining that this forecast takes into account the impact of price elasticity and has the most up-to-date forecast of rate increases.¹⁷ Sierra Club California contends that the:

“latest load forecast will reduce load in the LA Basin by 1213 MW (under the baseline forecast) or 2650 MW (under the adjusted forecast). Using this load forecast rather than the now outdated 2012 forecast would eliminate any theoretical need in the SONGS area.”¹⁸

IEP argues that “waiting for better information on certain topics could delay needed procurement and threaten reliability.”¹⁹ ORA agrees that the Commission should expeditiously consider Track 4 issues. Some of the updated information appears to reduce the amount of procurement needed. There is an option that can maintain reliability yet pose less risk to ratepayers: consideration of extending the retirement deadline of a once through cooling (OTC) plant. Given these facts, the Commission should wait the few months necessary to consider the 2013/2014 TPP results, along with the updated CEC demand forecast.

B. At a minimum, the Commission should require SDG&E and SCE to submit supplemental joint power flow studies that show the effect of all identified LCR need reduction solutions on the entire SONGS study area.

In order for the Commission to determine LCR need for the SONGS study area and authorize procurement that minimizes GHG emissions and cost to ratepayers, it must have results of power flow studies that include all of SCE and SDG&E’s conceptual transmission solutions and any other solutions identified by the CAISO to understand the interactions between these options. Consideration of these supplemental power flow studies and solutions will allow the Commission to find the combination that most effectively reduces overall LCR need for the entire SONGS study area. Ideally, the CAISO would perform these power flow studies, but if the Commission decides to proceed with an interim Track 4 authorization prior to the availability of the CAISO’s 2013/2014 TPP results, then the Commission should, at a minimum, require SCE and SDG&E to submit supplemental joint power flow studies that show the effect of all identified LCR need reduction solutions on the entire SONGS study area.

¹⁷ CLECA Comments, p. 3.

¹⁸ Sierra Club Comments. p. 7.

¹⁹ IEP Comments, p. 3.

III. CONCLUSION

ORA respectfully recommends that the Commission use 2013/2014 TPP results and updated CEC demand forecast when it considers LCR need for the SONGS study area. Using this information would appropriately balance the goal of using accurate information to authorize procurement with the need to expeditiously consider how to maintain reliability in light of the SONGS shut down.

Respectfully submitted,

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